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# Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

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| In the Matter of  | DOCKET FILE COPY ORIGINAL | JAN 24 1997<br>OFFICE OF SECRETARY |
| Advanced Television Systems and Their Impact upon the Existing Television Broadcast | ) ) ) MM Docket No. 8     |                                    |
| Service   | )                         |                                    |

Reply Comments On Sixth Further Notice of Proposed Rulemaking

BET HOLDINGS, INC.

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#### **Executive Summary**

BET is a cable television entertainment business that reaches over 45 million cable households through its cable programming services, BET Cable Network, BET on Jazz, and Action Pay-Per-View. BET also produces feature length films through its ventures with BET Film Productions, BET Pictures, and United Image Entertainment. BET has also partnered with Microsoft to develop on-line programming and interactive software products for African-American market consumers.

BET encourages the Commission to adopt the core spectrum option proposed in the *Sixth Further Notice*. The core spectrum option will permit early recovery of channels 60-69 to provide spectrum for new DTV entrants and wireless services. The recovered spectrum could be used in ways that would yield fees or auction revenue, which could be used not only to balance the budget, but to offset spending cuts in important federal programs. Incumbent broadcasters should not be allowed to encumber the channel 60-69 spectrum that the Commission has determined is not needed for implementation of DTV.

The Commission's core spectrum option provides incumbent broadcasters with ample spectrum to provide DTV and other services. As discussed in detail below, broadcasters may not even need the full number of channels allotted under the core spectrum plan because DTV signals may be able to be sent on 2 MHz bandwidth channels and could be packed as tightly as NTSC VHF stations are packed today. Additional channel packing within the core spectrum plan would produce additional spectrum within and outside the core spectrum for new DTV entrants and other services, and accommodate the public safety needs of state and local governmental entities.

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|                               | ) |                      |
|                               | ) |                      |
| Advanced Television Systems   | ) |                      |
| and Their Impact upon the     | ) | MM Docket No. 87-268 |
| Existing Television Broadcast | ) |                      |
| Service                       | ) |                      |
|                               |   |                      |

### Reply Comments On Sixth Further Notice of Proposed Rulemaking

BET Holdings, Inc. ("BET") hereby submits its reply comments to the Sixth Further

Notice of Proposed Rulemaking in the Federal Communications Commission's ("Commission")

Advanced Television docket (Digital TV). BET is a cable television entertainment business that reaches over 45 million cable households through its cable programming services, BET Cable

Network, BET on Jazz, and Action Pay-Per-View. BET also produces feature length films through its ventures with BET Film Productions, BET Pictures, and United Image Entertainment.

BET has also partnered with Microsoft to develop on-line programming and interactive software products for African-American market consumers.

Advanced Television Systems and Their Impact upon the Existing Television Broadcast Service, 11 FCC Rcd 10968 (1996) (hereinafter, "Sixth Further Notice").

I. The Commission Should Adopt Its "Core Spectrum" Proposal For DTV Because The Proposal Represents Efficient Use Of The Spectrum And Will Permit Spectrum To Be Recovered Quickly While Facilitating New Entrant Participation And Diversity Among Participants.

BET strongly supports the Commission's proposed core spectrum option. The plan should permit early recovery of a portion of the spectrum at channels 60-69.<sup>5</sup> A number of wireless communications entities supported the core spectrum plan on this basis.<sup>6</sup> Similarly, a number of state and local governmental entities supported the core plan because it would permit early recovery of channels 60-69.<sup>7</sup>

<sup>&</sup>lt;sup>2</sup> 47 U.S.C. § 151, et. seq. (1996).

See 47 U.S.C. § 307(b); comments of: MARRI 5-10; BET Holdings, Inc. at 2.

<sup>4</sup> Comments of MARRI at 14.

See Sixth Further Notice of Proposed Rulemaking, Advanced Television Systems and Their Impact upon the Existing Television Broadcast Service, MM Docket No. 87-268, released August 14, 1996 ¶ 25 (hereinafter, "Sixth Further Notice").

See Comments of Motorola at 8; Land Mobile Communications Council ("LMCC") at 6; Utilities Telecommunications Council at 5; and APCO at 6.

See, e.g., Comments of: Uwchlan Township at 1; Burlington County New Jersey at 1; Jackson Township Police Department at 1; New Providence Police Department at 1.

Additionally, the Commission's core spectrum option will allow for efficient reallocation of spectrum for new DTV entrants once it has been recovered. The core spectrum option will allot spectrum for incumbent DTV channels without reducing the number of current broadcast outlets.<sup>8</sup> BET agrees with Motorola that the Commission obtained great benefits by implementing a long-range spectrum plan for the 800 MHz band in 1970 and that it should implement the core spectrum plan to achieve similar results in the transition to DTV.<sup>9</sup>

By allowing for early recovery and efficient reallocation of spectrum, the core spectrum option will promote diversity among DTV participants. Early recovery of channels would enable the Commission to auction spectrum for new DTV licensees to enter the market. The value of the recovered spectrum cannot be ignored when the federal government is being forced to make dramatic spending cuts in important social programs, from Social Security to Medicare. The core spectrum option also could facilitate flexible DTV licenses that offer new wireless services to the public, while recovering a portion of value of the spectrum for the public.

In contrast, the broadcasters' propose a plan in which channels 2 through 69 would be allocated to the broadcasters.<sup>11</sup> The plan simply uses more spectrum to provide a service for which the Commission has found sufficient spectrum within Channels 7-51.<sup>12</sup> Their plan offers no corresponding increase in new services nor does it facilitate recovery of the value of the spectrum for the public.

See Comments of Motorola at 5; Citizens for a Sound Economy Foundation, et. al. at 2-3.

See Comments of Motorola at 4-5; See also "The Hard Road Ahead -- An Agenda for the FCC in 1997," released December 26, 1996, at 9, discussing the FCC's development of a spectrum policy to guide future spectrum decisions.

See, e.g., BNA Report for Executives "Clinton to Propose \$138 Billion in Medicare Savings Over Six Years," January 22, 1997; Health Insurance for Children is Latest Hot Idea As Both Democrats and GOP Prepare Proposals, Wall Street Journal, p. A18, January 15, 1997.

See section III, infra.

See Sixth Further Notice ¶ 19.

Incumbent broadcasters are already receiving an additional 6 MHz of spectrum for free. Since the incumbents have received a valuable commodity from the government for free, it is particularly important that value for some broadcast spectrum be recovered quickly so it can be used by others to provide new services and fund the many needs of the public.<sup>13</sup> As pointed out by Citizens for a Sound Economy, et. al., "to the extent [the core spectrum option] permits recovery of channels 60-69 for other uses, it would provide some immediate compensation [to the public] for the broadcasters' use of 12 MHz [current NTSC channel of 6 MHz and DTV allotted channel of 6 MHz] of the airwaves for an as yet undetermined period of time." <sup>14</sup> Citizens' estimates that if auctioned, the value of channels 60 to 69 of the spectrum could reach as high as \$10 billion.<sup>15</sup>

Although many state and local governmental entities expressed concerns over the fate of individual channels in their area under the core spectrum plan, they generally supported the proposal to recover channels 60-69.<sup>16</sup> Numerous state and local entities commented that they require more spectrum for land mobile services that serve a public safety function.<sup>17</sup> State and local governmental entities cited a study by the Public Safety Wireless Advisory Committee (PSWAC) formed by the National Telecommunications and Information Administration (NTIA) which examined the communications needs of public safety agencies through the year 2010 and

The DTV channels allotted to incumbent broadcasters have an estimated value of \$12.5 billion, according to the Congressional Budget Office. See Testimony of David H. Moore/Perry C. Beider, Natural Resources and Commerce Division, Congressional Budget Office, before the House Commerce Telecommunications and Finance Committee, March 21, 1996.

See Comments of Citizens for a Sound Economy Foundation, et al. at 3.

<sup>15</sup> Id. at 3 n.3 (citing McConnell, UHF Spectrum: Telecom's New Hot Property; FCC Will Kick Off Debate Over Channels 60-69 This Week, Broadcasting and Cable, July 29, 1996, at 20.)

See, e.g., Comments of: Uwchlan Township at 1; Burlington County New Jersey at 1; Jackson Township Police Department at 1.

See, e.g., Comments of: Uwchlan Township at 1; the County of Los Angeles at 6.

identified an immediate need for 25 MHz of new spectrum for these agencies.<sup>18</sup> The core spectrum plan would enable the Commission to recover substantial spectrum for new DTV entrants and other wireless services.

#### II. The Commission Should Modify Its Core Spectrum Plan To "Pack" Channels Even Further And Free Up More Spectrum For New Entrants.

BET strongly urges the Commission to "pack" channels even further than their current allotments under the core spectrum option. Such "packing" will immediately provide at least ten (10) more channels of unencumbered spectrum in addition to the spectrum identified in channels 60-69 under the core spectrum plan. These 10 new channels could also be used to auction DTV licenses to new entrants and provide a wider range of services to the public. BET believes that channels can be "packed" for three principal reasons.

First, BET agrees with Ericsson that the greater robustness and resistance to interference of digital signals should allow DTV stations to be packed more tightly than analog stations.<sup>19</sup>

Second, it appears that DTV stations may only need 2 MHz of spectrum to broadcast a single DTV channel, rather than the 6 MHz of spectrum used to broadcast analog NTSC signals.<sup>20</sup> BET supports a 6 MHz DTV allocation for incumbent broadcasters only if: (1) they pay a spectrum fee for the additional 4 MHz; and (2) the FCC provides spectrum fee incentives for incumbent broadcasters to joint venture with minorities and women new entrants into DTV. If such diversity incentives are not provided for DTV partnerships, then the Commission should

See, e.g., Comments of: California Department of General Services Telecommunications Division at 4; Uwchlan Township at 1; the County of Los Angeles at 6.

See Comments of Ericsson at 4-5.

See Comments of Media Access Project to Fourth Further Notice of Proposed Rulemaking at 5-10 (hereinafter, "MAP Comments").

provide incumbent broadcast stations with only the 2 MHz of spectrum needed to carry a single DTV signal. This action would yield approximately 4 MHz of unencumbered spectrum from each of the DTV station allocations in the core spectrum plan. As a result, incumbent DTV stations could be packed much closer together and the remaining 4 MHz of spectrum from each DTV incumbent allocation could be auctioned to enable new DTV entrants to obtain DTV licenses.

Third, if the Commission allots to incumbents 6 MHz per DTV station, it should pack the post-transition DTV core area as tightly as NTSC VHF stations are allotted today. If the Commission adopted this recommendation, approximately 30 channels would be required to accommodate DTV broadcasters, rather than the 40 channels proposed in the core spectrum plan.<sup>21</sup> The recovered spectrum could be used by new DTV entrants to provide a variety of services, while the public would recover some of the value of the spectrum for other needed services.

### III. The Broadcasters' Opposition To The Core Spectrum Plan Is Unfounded Because The Plan Provides Them With More Than Enough Spectrum.

The Broadcasters' opposition to the Commission's core spectrum option proposal is unfounded. The Commission's core spectrum option includes more than enough spectrum for existing broadcasters to broadcast a digital TV signal through their DTV channel allotment. As one party commented, "[t]he Commission must not permit this important phase of its digital television proceeding to be a vehicle through which the broadcasters grab even more free spectrum . . ."<sup>22</sup>

See Comments of Ericsson at 5.

See Comments of Citizens for a Sound Economy Foundation, et. al. at 5-6.

First, the Broadcasters argue that the core channel plan proposed by the Commission creates losses in full power and LPTV service, and the cable industry cannot make up for the loss. However, under the Core Plan, the Broadcasters will not only be able to keep their existing NTSC station, but will also be able to maximize their service area, and broadcast up to 4 additional NTSC-type programs with a 6 MHz DTV channel. "Broadcasters actively considering digital transmission options have vastly differing perspectives on what kind of signal compression is feasible and likely: some are gearing up to provide multiple feeds of traditional "free" Standard Definition Television programming . . . "23 Some parties argue that the additional 6 MHz channel is too much spectrum, because DTV can be provided using 2-3 MHz. The Commission's recently adopted technical standards support that theory: the standards allow broadcast of up to two high definition (HDTV) programs, and multiple streams, or up to five channels or more, of Standard Definition Television. Now that such flexible DTV technical standards have been adopted by the Commission, a 6 MHz DTV channel allocated to incumbent broadcasters is more than enough spectrum to offer multiple DTV or ancillary services. 26

The Broadcasters' argument that LPTV service must be protected is misplaced. LPTV licensees have always been on notice of their secondary allotment status.<sup>27</sup> The Commission has previously considered and rejected the idea that LPTV receive a distinct DTV spectrum

See MAP Comments at 6.

Id. at 7 n.5.

Fourth Report and Order, FCC 96-493, MM Docket 87-268 at 4 (released December 30, 1996).

Chairman Reed Hundt recently noted that DTV "opens a whole new world of opportunities for broadcasters to transmit multimedia, including voice, video, data, and software." "The Hard Road Ahead -- An Agenda for the FCC in 1997," released December 26, 1996.

See *generally*, 47 C.F.R. §§ 74.702, 74.703 (interference protection to surrounding LPTV and TV translators, 74.705 (interference protection to full power broadcast stations); 74.709 (interference protection to land mobile operations).

allocation.<sup>28</sup> LPTV operators should not receive a "de facto" spectrum allocation through the use of Channels 2-69 at the expense of other potential new entrants that want to participate in DTV. It is not in the public interest to protect "secondary" licensees when the Commission can encourage participation on a neutral basis for all new DTV television entrants.<sup>29</sup>

The Broadcasters argue that the Core Channel approach reduces necessary flexibility for alternative DTV allotments in the event of interference. However, the Core Spectrum plan allocates 6 MHz for existing broadcasters when approximately 2 MHz is needed for conversion to digital.<sup>30</sup> Further, some commenters have suggested that the Core Spectrum option could be "packed" tighter, reducing DTV spectrum needs to a greater extent.<sup>31</sup> Although BET supports a 6 MHz DTV allocation to existing broadcasters, the Commission should charge broadcasters spectrum fees for use of the spectrum beyond the 2 MHz they need to broadcast a single digital signal.<sup>32</sup> If the broadcasters use their 6 MHz allocation to send multiple DTV signals or use their allocation for non-DTV services the Commission should require them to pay spectrum fees.<sup>33</sup>

Additionally, the Commission should provide broadcasters with incentives to partner with new entrants. If incentives are not provided, the Commission should only allot broadcasters 2 MHz without charge, and aggregate/recover the remaining 4 MHz per channel. This remaining spectrum should then be auctioned to new DTV licensees as soon as possible in 1997.

Sixth Further Notice at 27.

As discussed in Section IV, *infra*, BET encourages the Commission to promote diversity in DTV ownership by adopting incentives for existing broadcasters to partner with new DTV entrants.

See MAP Comments at 5-10 and Section II, supra.

See Ericsson Comments at 5.

The National Cable Television Association ("NCTA") "would support auctioning any new spectrum above and beyond that needed for a single channel." See NCTA Comments at 4.

<sup>&</sup>lt;sup>33</sup> 47 U.S.C. § 336(a)(2), (b).

Several commenters argued that they should be granted a DTV channel in the core spectrum during the transition, keep their current NTSC channel operating, and then be returned to their current NTSC channel location for final DTV operations.<sup>34</sup> This approach further illustrates the inefficiencies associated with granting the broadcasters a second free 6 MHz allocation for DTV under the core spectrum plan. Instead of providing broadcasters with 12 MHz for free (6 MHz for a current NTSC channel and 6 MHz for the DTV station), the Commission should grant them only 8 MHz for free (6 MHz for a current NTSC channel, and 2 MHz for an interim DTV channel). If the Commission adopts the DTV channel allotment as an interim solution, then it should grant only a 2 MHz channel for interim DTV operations. It should auction the remaining 4 MHz per channel to new DTV entrants as expeditiously as possible and recover the 2 MHz used for interim operations as soon as broadcasters commence DTV operations on their current NTSC channels. Broadcasters will not be affected by reducing their interim DTV allocation to 2 MHz, since after the transition they will return to DTV operations on their current 6 MHz NTSC channel.

The Broadcasters argue that the benefits of the early auction of channels 60-69 are speculative and uncertain because the spectrum will be encumbered. However, the spectrum does not contain that many incumbents. The FCC's core spectrum option uses the band approximately 30 times,<sup>35</sup> and only 97 existing full power television stations exist in this portion of the band.<sup>36</sup> The Commission auctioned encumbered PCS spectrum over the last few years with great success. For example, there were approximately 8,846 private microwave licenses

See, e.g., Comments of Citadel Communications Co., Ltd. at 5.

See Sixth Further Notice at p. 13.

<sup>&</sup>lt;sup>36</sup> *Id.* 

within the 1850-1990 MHz band in 1994 when the Commission began the PCS licensing process.<sup>37</sup> Even with extensive incumbent presence, the Commission auctioned the A, B, and C Block PCS spectrum for a total of over \$18 billion.<sup>38</sup>

The Broadcasters' proposal to occupy channels 2-69, in addition to already occupying two 6 MHz channels of spectrum for free, is inefficient and contrary to the public interest. Incumbent broadcasters can use their 6 MHz DTV channel to provide DTV and other services, especially since the Commission has adopted flexible DTV technical standards. A number of commenters in this proceeding have indicated that two 6 MHz channels (the current NTSC channel and the DTV channel) is more than enough to provide DTV and other services. Incumbent broadcasters should not be allowed to be spectrum inefficient and grab additional spectrum for free. The core spectrum plan and channel packing should be adopted in order to auction new DTV and other wireless licenses for billions of dollars, promote DTV ownership diversity, and provide new services to benefit the public.<sup>39</sup>

Amendment of the Commission's Rules Regarding a Plan for Sharing the Costs of Microwave Relocation, Notice of Proposed Rulemaking, 11 FCC Rcd 1923, 1929 (1995).

The Commission raised \$7,736,020,384.00 in the A & B Block Broadband PCS Auction, including pioneer preference revenues and bid withdrawal penalties. See FCC Public Notice No. DA-95-586, released March 22, 1995 "FCC Announces April 5 Deadline for Submission of FCC Form 600 Broadband PCS Applications; the C Block Broadband PCS Auction had high bids of \$10,071,708,841.50.

See, e.g., Comments of Citizens for a Sound Economy Foundation, et. al. at 3 ("to the extent that it [the Core Spectrum Plan] permits recovery of channels 60-69 for other uses, it would provide some immediate compensation for the broadcasters' use of 12 MHz of the airwaves for an as yet undetermined period of time.")

IV. The Commission Should Attempt To Encourage New Entrants In DTV By Promoting Partnerships, Joint Ventures, And Local Marketing Agreements Between Existing Licensees And Minority And Women-Owned Businesses, LPTV Licensees, And TV Translator Licensees.

BET believes that the Commission should foster partnerships, joint ventures, and local marketing agreements between existing licensees and minority and women-owned businesses.

BET believes that diversity in media ownership is in the public interest. MARRI has encouraged the Commission to allow partnerships among small business broadcasters to speed the delivery of DTV to the market. BET has also urged the Commission to consider partnerships, joint ventures, and local market agreements between existing broadcasters and minority- and women-owned entities, as well as allowing partitioning and disaggregation of DTV spectrum for ancillary and supplementary services, and early recovery and auction of spectrum for new entrants. All

The Commission requested comment on proposals to minimize the impact of the DTV proceeding on LPTV and TV Translator licensees who may be displaced by DTV licensees. 42 Despite the fact that LPTV licensees have always had secondary status, BET supports incentives for existing broadcasters to create partnerships, local marketing agreements and joint ventures with all new entrants in providing DTV services. Displaced LPTV and TV translator operators should team with other new entrant minority- and women-owned businesses interested in DTV to form such partnerships with incumbent broadcasters. 43

See Comments of MARRI Broadcasting at 14-16.

See Comments of BET at 10-11.

See Sixth Further Notice ¶¶ 67, 68, 70.

For example, BET supports having the Commission provide incentives, such as a relaxed rate structure, to encourage cable companies to carry new DTV entrants such as partnerships and joint ventures with minorities and women, which can include LPTV operators. See Comments of Hispanic Broadcasters of Arizona at 2. Similarly, if the Commission reclaims channels 60-69, new service providers should

When LPTV and TV Translators accepted their licenses they knew that they had only "secondary" status. 44 The Commission has requested comment on DTV incentives for LPTV licensees and TV translator licensees because they are not eligible for the initial allotment of DTV spectrum under the Telecommunications Act eligibility standard. Women and minority business new entrants should receive similar DTV FCC incentives to provide them with ownership opportunities in the emerging DTV market.

Women and minorities own disproportionately few broadcast and cable enterprises.<sup>45</sup> The majority of the stations they do own are LPTV and TV Translator stations. BET supports the incentives proposed by the Commission and others to assist all new entrants attempting to enter the DTV industry. BET believes the Commission can achieve this goal in an equitable manner by encouraging partnerships, joint ventures, and local marketing agreements between broadcasters and minority- and women-owned DTV entrants, including LPTV operators.

V. The Commission should maintain flexibility on its definition of "Small Business" in its Initial Regulatory Flexibility Analysis.

BET believes that minority- and women-owned businesses new entrants seeking available spectrum for DTV services should be offered the flexibility necessary to participate in that market. Thus, BET agrees with the Commission's analysis that the definition of "small business" included in the Initial Regulatory Flexibility Analysis ("IFRA") may be too restrictive,

compensate LPTV licensees for their existing investment and moves to new channels to accommodate new entrants. See Sixth Further Notice ¶ 68; Comments of: WatchTV, Inc. ¶ 4; Hispanic Broadcasters of Arizona at 2. BET supports setting aside a few frequencies between channels 52 and 59 for new DTV entrants and joint ventures with minorities and women, which can include LPTV operators. See Sixth Further Notice ¶ 70; Comments of WatchTV, Inc. ¶ 4; Comments of Hispanic Broadcasters of Arizona at 3; Valley of Peace Christian Television at 3.

See generally, 47 C.F.R. §§ 74.702, 74.703 (interference protection to surrounding LPTV and TV translators, 74.705 (interference protection to full power broadcast stations; 74.709 (interference protection to land mobile operations).

See Comments of Blackstar Communications at fn. 4.

particularly where the rapid consolidation of ownership in broadcasting has increased barriers to entry for new entrants.

#### Conclusion

BET supports the Commission's proposed core spectrum option because it efficiently accommodates all existing broadcasters, but also provides for early recovery of channels 60-69 which can be used for new DTV entrants and other wireless services. Further, BET urges the Commission to "pack" the DTV allotment to increase efficiency and provide for immediate recovery of additional spectrum. The Broadcasters' alternative plan should not be adopted because it lacks the spectrum efficiency of the Commission's proposal, as required under Section 307 of the Act. The incumbent broadcasters' plan also deprives the public of the benefits that could result from recovery of the value of the spectrum for the public indefinitely. In addition, the Broadcasters' premise that encumbered spectrum is not valuable fails to account for the remarkable success of the Commission's recent auctions of encumbered PCS spectrum. Finally, BET encourages the Commission to promote diversity in DTV ownership by promoting partnerships, joint ventures, and local marketing agreements among incumbent broadcasters and all new DTV entrants, including minority- and women-owned businesses and LPTV operators.

Respectfully submitted,

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